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11/14/94

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE



In Re Appln. of: Robert Filepp et al. Group Art Unit: 2307

Serial No.: 08/158,029

Examiner: T. C. Lee

Filed: November 26, 1993

Title: METHOD FOR LOCATING APPLICATION RECORDS
IN AN INTERACTIVE-SERVICE DATABASE

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GROUP 2300

DISCLOSURE STATEMENT UNDER 37 C.F.R. 1.97

Commissioner of Patents and Trademarks
Washington, D.C. 20231

Sir:

In the course of prosecuting the parent of the current divisional application, Applicants became aware of certain information concerning use of their invention that occurred prior to the filing of the parent application that could be regarded as material to examination of the current divisional application. While this information was fully described to the Patent and Trademark Office during prosecution of the parent application now issued as U.S. patent 5,347,632, consistent with their duty under 37 C.F.R. 1.56, Applicants would like to bring that information to the attention of the Patent and Trademark Office for consideration during prosecution of their divisional application.

USE INFORMATION

As originally conceived, the PRODIGY® Service (Service) to which this invention relates, called for a new approach to distributed data processing; a new approach that subsequently proved to require almost two years to test and implement.

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In formulating the framework for the Service, Applicants believed that to be commercial viable, the Service would have to handle user populations in the millions. Further, it was also believed that to be successful, the Service would have to provide user populations of such size with low response time to requests for information and transactions and do so at low cost. Still further, it was felt that to achieve the desired low response times while maintaining attractive service pricing, it would be necessary to simplify the Service architecture so as to speed system operation and hold equipment capital and operating cost low. Accordingly, Applicants believed the "dumb" terminal approach commonly used in conventional systems with its reliance on host size and complexity for performance would not be suitable.

In light of these considerations, Applicants proposed to structure the Service so that a subscriber could use a personal computer (PC) to access the Service. This would permit the subscriber to bring the computing power of his or her PC to the Service, thereby reducing demand on the Service computing resources and allowing the Service hardware to be simplified. Further, in order to configure the Service so that it could be handled by a subscriber's PC, it was proposed the applications offered on the Service be partitioned; i.e., structured as separable units of data and program code capable of being processed by the PC. Additionally, Applicants recognized that if the partitioned application units were made up of separable units of data and program code; i.e., "objects", the Service database needed to support the applications would be organized based on these objects, and the objects distributed and stored at various levels in the system so that application display time could be minimized as a function of the storage capacity of the

PC; i.e., optimize Service performance relative to the subscriber equipment capacity.

More specifically, Applicants reasoned that if the application to be disposed at the subscriber's PC could be composed on the fly at run time from objects stored at the PC, the applications could be presented quickly and with minimal reliance on the Service resources. Further, if the subscriber's PC lacked the capacity to store all the objects required for an application to be displayed, those objects in excess of the PC storage capacity could be obtained from the Service network as needed to assure maximum local support from the available PC resources.

However, to accommodate this intended role for the reception system, the Service software, i.e., software for the host, cache/concentrator system and reception system, together with the other support facilities - and the software for the various applications to be run on the Service had to be originally designed and created. And, since these software designs would be new, a substantial test and development period for the Service software was anticipated.

As events proved, that period extended over almost two years and progressed through three phases. As will be appreciated, throughout the three phases, parallel and intertwined efforts were undertaken to develop and test all components of the Service hardware and software; i.e., host, cache/concentrator system, reception system, etc. However, since this disclosure statement is being filed in connection with a patent application primarily directed to the Service reception system, to the extent possible, discussion will be focused on that aspect.

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The first phase of the test and development period extended from approximately January 1987 through September 1987. During that period efforts were directed to establishing the viability of the general concepts underlying the Service and reception system noted above. In this phase, testing was conducted confidentially by Prodigy employees and outside consultants either at the Prodigy facilities or from the homes of the Prodigy employees, the employees acting as pseudo-subscribers.

Once it was determined that the basic approach to the Service and reception System was workable, testing entered a second phase. In the second phase, Prodigy sought to determine if the service and reception system would continue to operate in the hands of users who, while experienced with computer technology as a result of either occupation or interest, had not contributed to or participated in the design of the Service or reception system. Additionally, Prodigy sought to determine if the reception system would continue to operate as changes were made in it to fix problems encountered and to encompass the broader range of subscriber hardware and operating system configurations that existed in the subscriber population Prodigy intended to serve. Still further, Prodigy sought to test whether the reception system would continue to operate with the growing number of applications of increased object complexity being added to the Service.

To digress briefly, from its inception Prodigy believed its Service would have to provide a broad range of transactional and informational applications to be accepted by the public. For example, it was felt that to be viable, the Service would have to include transactional application such as electronic banking, financial management, at home grocery shopping, travel reservations and department store shopping, among others. In

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addition, Prodigy felt it would be essential to provide informational and entertainment applications such as current events, sports and business news, games and such items as expert commentary on a variety of subjects as well as special features and the like. As will be appreciated, this range of applications requires a broad scope of objects that vary in number and technical complexity. Accordingly, the objects for these applications present a significantly varying level of load on the reception system and Service, load that had to be tested before the reception system and Service could be commercially offered to the public. Further, since the range of applications called for a diversity of sponsorship and required a significant number of man hours to create, they were not all immediately available for testing as development of the reception went forward. Accordingly, reception system testing had to be coordinated in time with the expanding complexity of the Service, a coordination that extended through both the second and third phases of test and development.

The second phase of testing and development extended from approximately the beginning of October 1987 through the end of March 1988. During this phase, Prodigy organized three small groups of approximately 100 individuals each, the groups being located at select point in the Country corresponding to the extent of the communication links setup for the Service. To foster interest and confidentially, individuals selected for each of the groups either had some relation to Prodigy or were likely to have technical interest and familiarity with computer technology that would enable them to test the reception system and Service.

As noted, all testing was conducted on a confidential basis. Additionally, the reception system software and use of

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the Service were provided to the users free of charge. Still further, Prodigy maintained control over usage of the reception system and Service by issuing identification numbers that the users had to present, and that Prodigy had to accept, each time the user sought access to the Service. Additionally, and as will be appreciated, due to the unique nature of the reception system software, it had no use other than to facilitate interaction with the Service. Thus, by controlling access to the Service, Prodigy also controlled usage of the reception system software by the user. Yet further, Prodigy retained ownership of the reception system software, providing only a license for its use. Additionally, in accordance with the terms of the license, the user was obliged not to attempt to reverse compile or otherwise reverse engineer the source code, the source code for the reception system not having been supplied. As well, Prodigy monitored activity of these individuals by tracking identification numbers and noting frequency of use, type of applications viewed and duration of use sessions. Also, Prodigy maintained technical support telephone lines so users could report all problems encountered. In addition, Prodigy also monitored the effect of usage on network performance. Still further, Prodigy periodically met with representatives of the various groups to discuss the users' experiences and problems. And, as the reception system software was revised, the later versions were provided to the users in order to retire the earlier versions.

Concerning the makeup of the various groups, the first group that participated in the testing included approximately 100 IBM employees located in the Hartford, Connecticut area, IBM being one of the founders of Prodigy. This group first became involved in October of 1987 when the Prodigy host and Service

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were established for external access. In the course of the testing, the IBM-Hartford group remained substantially stable in size, the group growing only slightly from 100 to 109 individuals over the 6 month period from October 1987 to the end of March 1988.

The second group established in phase two of the test period included a panel of individuals from the Atlanta, Georgia and San Francisco, California areas. These individuals were typically employees of companies who were sponsoring or planning to sponsor applications on the Service, or who maintained some other relation with Prodigy; e.g., employees of the company that provided modems that were to be offered by Prodigy to future subscribers. This group began in approximately November of 1987 with some 30 individuals and grew to approximately 160 individuals by the end of March 1988.

Finally, the third group included members of the Connecticut Computer Society located in West Hartford, Connecticut, and comprised approximately 80 individuals in January 1988 when it first became active. Subsequently, the group expanded to approximately 90 individuals by the end of March 1988.

Following the second phase of test and development, these groups continued to operate into and through the third phase of test, growing only slightly in size. Ultimately, when Prodigy began to close out the final phase of testing in early August 1988, the three groups comprised approximately 110 Hartford IBM employees, approximately 165 panel members and approximately 100 Connecticut Computer Society members.

As a result of problems encountered in the second phase of test, the broadening range of PC hardware and operating system combinations required to be supported in the anticipated

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would result that would severely retard acceptance, and put at risk the substantial amount of money and man hours that were being expended on development. Accordingly, Prodigy elected to test the reception system and Service over a broader user base to see if the reception system and Service would continue to operate. For these tests, Prodigy proposed to gradually increase load levels by progressively adding groups of individuals secured from the public sector. This public testing constituted the third phase of the test and development period.

The third phase of the test period started at the beginning of April 1988 and extended through the beginning of August 1988. For the third phase, Prodigy began by progressively securing approximately 2,600 individuals in the three regions Prodigy had been testing with the approximately 300 individuals of phase two; i.e., Hartford, Connecticut, Atlanta, Georgia and San Francisco, California.

Once again, the reception system software and Service were provided free of charge. More specifically, a select list of individuals and groups likely to be interested in the Service the were approached by mail and telephone and offered the reception system and Service as so called "Founding Members" of the Service. As part of the program, the participating new users would receive revisions of the reception system software produced during phase two testing, along with six months use of the Service for free. Additionally, if at the end of the six-month free period, the users wished to continue the Service, they can do so at a reduced rate that would extend for up to a year thereafter. Still further, if the prospective new users did not have a modem to access the Service, Prodigy proposed to sell one to them at a reduced price.

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As in the case of phase two of the testing, Prodigy retained ownership of the reception system software, providing only a license to the prospective users. As before, under the terms of the license, Prodigy required the users not attempt to reverse compile or otherwise reverse engineer the source code, the source code not having been provided. Also, Prodigy again controlled use of the reception system software and access to the Service by issuing identification numbers that were required to be presented by the individual users at log on. And, as in phase two testing, Prodigy compiled and maintained extensive records concerning the frequency, duration and character of use. Again, Prodigy also maintained a user telephone support line for the report of any problems. Still further, as before, Prodigy monitored the consequence of the increased usage on all levels of the Service network. However, while the internal operation of the reception system software was not disclosed to the new users, the new users rather receiving only instruction on use of the Service, no prohibition of confidentiality was imposed.

Distribution of the reception system software in the new version that emerged from the second phase of the test period began on March 29, 1988. Use by Founding Members thereafter grew from approximately 50 members at the beginning of April 1988, to approximately 2,600 by the end of May 1988.

At the beginning of June 1988, in accordance with its plan of gradual increase in system loading, Prodigy again sought to broaden the user population to assure that when ultimately offered to the public, the reception system and Service would operate as intended. Accordingly, at the beginning of June, a still further revision of the reception system software and a period of Service were offered to perspective users for free. Specifically, perspective users were offered a further revision

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of the reception system and a three month period of use of the Service for free as so called "Charter Members." Here, however, no continuation of the Service at a reduced rate following the free period was offered. Additionally, while a modem was again offered at a reduced price to those who might require it, the price reduction was not as large as offered to the Founding Members.

Once again, Prodigy retained ownership of the reception system software, the new members receiving only a license to use it. And as before, in accordance with the terms of the license, the new users were obliged not to attempt to reverse compile or otherwise reverse engineer the source code, source code not having been provided. Prodigy again controlled use of the reception system software and access to the Service by issuing identification numbers that were required to be presented by the users at log on to the Service. As well, Prodigy again complied and maintained extensive records concerning frequency, duration and character of use together with any problems that arose. Prodigy additionally maintained a user support telephone line to enable the new users to report any problems. As in the case of the first group of users that were given access to the reception system software and Service, in third phase of testing, the operation and structure of the reception system was not disclosed to this second group of users in the third phase of test. Rather, there users were again only given the reception system diskette and instruction on how to run the Service. Confidentiality, however, was not sought in connection with use of the reception system or the Service. In the third phase of test, from approximately June 1988, the number of users grew from approximately 2,600 Founding Members to a total of

approximately 6,500 Founding and Charter Members at the beginning of August 1988.

Following distribution of the revised version of the reception system software to the Charter Members in June of 1988, Prodigy recognized that a still further revision of the reception system would be required. However, it was believed that if this further revision would perform as intended, it would be adequate to support release of the reception system and the Service to the general public. Accordingly, following continued internal development of the further revision of the reception system, Prodigy on or about August 5, 1988, approved release of the further revised version of the software to support the public offering of the Service.

Following approval in early August of 1988, efforts went forward to distribute the final version of the reception system software to existing users, thus marking the end of the third phase of testing. Thereafter, the existing user base continued to grow as the Charter Members program ran its course. Accordingly, by the beginning of September 1988, the number of subscribers had grown to approximately 11,000, and in early October, following introduction of the Service in selected cities throughout the Country, the user base jumped to approximately 16,000.

Since Prodigy provided transactional as well as informational applications on the Service, it was necessary during the test and development period to allow users to purchase goods and services offered in certain application in order to determine if the transactional aspects of the Service and the reception system would operate as intended. More particularly, in the second phase of test, during the months of

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January, February and March of 1988, users of the Service purchased a total of approximately \$650 worth of goods and services. Thereafter, in the four month period from April 1988 to the beginning of August of 1988, that constituted the third phase of testing, users purchased approximately \$28,000 of goods and services. These amounts are to be contrasted with the purchase goods and services in the 10 day interval from August 25, 1988 to September 5, 1988, following the end of experimental period where purchases were approximately \$121,000.

Moreover, it is to be noted the amounts of money paid for the goods and services purchased ultimately were paid to the sponsors of the applications that offered them. Further, while these sponsors did pay a fee to Prodigy to create and display the applications and advertisements that were run on the sponsor's behalf, such amounts were paid to Prodigy to offset the cost of production, operating expense and development cost for the Service. And, Prodigy realized no profit from these activities during the experimental period.

Continuing, also during the test period, as is customary in connection with software development, Prodigy held discussions with retailers who were to support retail sale of the reception system software at the end of September 1988 when the software was offered to the general public. By the beginning of February 1988, Prodigy had reached understandings with approximately 6 chain distributors in various channels of distribution; e.g., computer stores, software stores, specialty electronics stores and department stores, who indicated they would handle the software when it became available. In these discussions, Prodigy advised that the reception system and Service were under development, but were expected to become generally available

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between September and October of 1988. In addition, Prodigy expressly reserved the right not to supply the reception system software until Prodigy felt it was ready for release to the Public. By the end of April 1988, the number of distribution chains with whom Prodigy had reached such understandings had increased to approximately 8.

As well, in the early part of April 1988, Prodigy attended a computer faire in California at which it demonstrated the Service as it then existed. More specifically, between April 7-10, 1988, Prodigy attended the West Coast Faire held in San Francisco, California. At the Faire, Prodigy gave a demonstration of the Service as it then existed; i.e., lacking a number of the transactional applications such as at home banking, grocery shopping and travel reservations. For the demonstration, Prodigy used the version of the reception system software that was then available, that version being revised twice more during the third phase of the test and development period. Additionally, the observers were told that while the service was not yet generally available, it was expected to be provided in the San Francisco area by the fall of 1988. Still further, the nature of the application that were expected ultimately to be available on the Service; e.g. many of the transactional applications, were described and a demonstration diskette distributed that displayed certain segments of the service without support of the network. Still further, the observers were invited to fill out a follow-up cards if they felt they wanted Prodigy to contact them when the Service became publicly available in the San Francisco area in the fall. Approximately 4,000 cards were filled out and submitted.

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In light of the above, and based on the novelty of the invention, the uncertainty typically associated with newly developed software and the inability to adequately simulate the intended use environment in the laboratory, it was necessary for Applicants to undertake a period of test and experimentation to determine whether their reception system would perform as intended. Accordingly, Applicants would respectfully submit that their invention was not in public use or on sale under the terms of 35 U.S.C. 102(b) before the end of the test and experiment period on or about before August 5, 1988, when approval for release of the reception system was given.

DISCUSSION

Section 102 of title 35 of the United States Code provides in pertinent part:

A person shall be entitled to a patent unless -

...

(b) the invention was ... in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States;

35 U.S.C. 102 (1988).

While the diversity of opinion expressed by the regional federal circuit courts in the past had given rise to questions concerning what activity is permitted and what activity is not permitted under the "public use" and "on sale" provision of 35 U.S.C. 102(b), the Court of Appeals for the Federal Circuit has now resolved those questions.

Since its inception in 1982, the Federal Circuit has sought to clarify this area of the law by reference to and reliance on

the policies underlying the statute. In its decisions, the Federal Circuit has developed a procedure and guidelines that call for application of the statutory objectives of section 102(b) to the totality of circumstances that make up the case under review. As pointed out by the Federal Circuit on numerous occasions, the seeming infinite variety of factual situations presented by section-102(b) cases make it impossible to attempt to resolve the issues presented based on application of rigid, per se rules that emphasize one or another factor.

Most recently the Federal Circuit articulated these principles in its holding in *Manville Sales Corp. v. Paramount Systems, Inc.*, 16 USPQ2d 587 (Fed. Cir. 1990), where it noted:

In order to determine whether an invention was on sale or in public use, we must consider how the totality of the circumstances compare with the policies underlying the on sale and public use bars. This is necessary because "the policies or purposes underlying the on sale bar, in effect, define it." *Envirotech [Corp. v. Westech Engineering, Inc.]*, ... 15 USPQ2d at 1232 (quoting from *RCA Corp. v. Data General Corp.* ... 12 USPQ2d 1449, 1454 (Fed. Cir. 1989)).

Id., at 1591. See also *TP Laboratories v. Professional Positioners, Inc.*, 220 USPQ 577, 582 (Fed. Cir. 1984); *Baker Oil Tools, Inc. v. Geo Vann, Inc.*, 4 USPQ2d 1210, 1213 (Fed. Cir. 1987); and *A.B. Chance Co. v. RTE Corp.*, 7 USPQ2d 1881, 1884 (Fed. Cir. 1988).

The court went on to note that it had enumerated the policies underlying 35 U.S.C. 102(b) in its holding in *King Instruments Corp. v. Otari Corp.*, 226 USPQ 402 (Fed. Cir. 1985) cert. denied 475 U.S. 1016 (1966), where it explained those policies as including:

(1) discouraging removal of inventions from the public domain which the public justifiably comes to believe are freely available;

(2) favoring prompt and widespread disclosure of inventions;

(3) giving the inventor a reasonable amount of time following the sales activity to determine the value of a patent; ... and

(4) prohibiting an extension of the period for exploiting the invention.

Id., at 406. See also *Manville Sales Corp. v. Paramount Systems, Inc.*, 16 USPQ2d 1587, 1591 (Fed. Cir. 1990); *Envirotech Corp. v. Westech Engineering, Inc.*, 15 USPQ2d 1230, 1232 (Fed. Cir. 1990); and *TP Laboratories v. Professional Positioners, Inc.*, 220 USPQ 577, 580 (Fed. Cir. 1984).

Applicants respectfully submit that comparison of the statutory policies articulated by the Federal Circuit with the totality of circumstances surrounding the test and development of Applicants' invention shows that Applicants' activities were consistent with those policies and well within the bounds of permissible conduct.

As the Federal Circuit described in the *Manville*, *Envirotech* and *King Instrument* cases *supra*, a first concern of the statute is to discourage removal of inventions from the public domain that the public justifiably believes are freely available.

At no time in the course of Prodigy's test and development period could the public have considered the Applicants' reception system to be in the public domain. In the first phase of test and development that extending from January 1987 to the end of September 1987, all activities concerning the reception

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system were confidential and handled exclusively by either Prodigy employees or outside consultants bound by express terms of confidentiality. Further, all documents and materials relating to the reception system were marked confidential and treated accordingly. As a result, the public had no access to or knowledge of the reception system during this phase of testing, and thus could, not have come to believe the reception system was in the public domain.

During the second phase of test and development; i.e., from the beginning of October 1987 to the end of March 1988, Prodigy continued to mark and maintain all documents and materials relating to the reception system as confidential. Further, while the non-employee testers who participated in testing the reception system and Service during this phase, as described above, did receive prototype versions of the reception system software, no disclosure of the source code, or the structure or internal operation of the reception system was made to them. Rather, Prodigy merely licensed the software to the non-employee test users on terms that required them not to attempt to reverse compile or otherwise reverse engineer the source code. Still further the users were required to handle the reception system software and Service on a confidential basis. Accordingly, there was no conduct by Prodigy in the second phase of the test and development period that could lead the public to believe the reception was in the public domain.

Finally, in the third phase of the test and development that extended from beginning in of April 1988, to the beginning of August 1988, Prodigy, again, continued to mark and maintain confidential all documents and materials that disclosed the source code, and the structure and internal operation of the

reception system. While as described, copies of the reception system software were distributed to the select groups of users secured in the third phase of testing, again, no disclosure of the reception system source code, its structure or internal operation was made. Rather, as in the second phase of test, the distribution of the reception system consisted of the distribution of diskettes on which the reception software was provided in object code only, a form substantially unintelligible to the user. Also, Prodigy retained ownership of the reception system software and merely licensed its use to these individuals. And, in accordance with the terms of the license, the recipients were obligated not to reverse compile or otherwise reverse engineer the reception system source code. Thus, Prodigy again took all reasonable and usual steps under the circumstance to keep the structure and operation of the reception system secret, and put the public on notice that Prodigy had reserved its right in the reception system. Accordingly, Prodigy engaged in no conduct in the third phase of the test and development period that would permit anyone to believe the reception system had been put in the public domain.

The second concern underlying 35 U.S.C. 102(b) as articulated by the Federal Circuit in *King Instrument, supra*, is the "prompt and widespread disclosure of the invention." As pointed out by the Federal Circuit in *Manville, supra*, at 1592, prompt and widespread disclosure permits an inventor to undertake any testing necessary to enable the inventor to conclude whether or not the invention will perform as intended.

In accordance with this aspect of the statute, it has been recognized for over a hundred years that an inventor is free to test his invention to a point where he is persuaded it will work

as intended. As explained in the Supreme Court in the landmark case of *City of Elizabeth v. American Nicholson Pavement Co.*, 97 U.S. 126 (1877) where the Court discussed the inventor's experimental installation of the pavement block he had invented:

That the use of the pavement in question was public in one sense cannot be disputed. But, can it said that the invention was in public use? The use of an invention by the inventor himself or any other person under his direction by way of experiment, and in order to bring the invention to perfection, has never been regarded as such a use. [citation omitted]

Now, the nature of a street pavement is such that it cannot be experimented upon satisfactorily except on a highway, which is always public.

When the subject of invention is a machine, it may be tested and tried in a building, either with or without closed doors. In either case, such use is not a public use, within the meaning of the statute, so long as the inventor is engaged, in good faith, in testing its operation. He may see cause to alter it and improve it, or not. His experiments will reveal the fact whether any and what alterations may be necessary. If durability is one of the qualities to be attained, a long period, perhaps years, may be necessary to enable the inventor to discover whether his purpose is accomplished. And though, during all that period, he may not find that any changes are necessary, yet he may be justly said to be using his machine only by way of experiment; and no one would say that such a use pursued with a bona fide intent of testing the qualities of the machine, would be a public use, within the meaning of the statute. So long as he does not voluntarily allow others to make it and use it, and so long as it is not on sale for general use, he keeps the invention under his own control and does not lose his title to a patent.

It would not be necessary, in such case, that the machine should be put up and

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used only in the inventor's own shop or premises. He may have it put up and used in the premise of another, and the use may inure to the benefit of the owner of the establishment. Still, if used under the surveillance of the inventor, and for the purpose of enabling him to test the machine and ascertain whether it will answer the purpose intended and make such alterations and improvements as experience demonstrates to be necessary, it will still be mere experimental use, and not a public use, within the meaning of the statute.

Whilst the supposed machine is in such experimental use, the public may be incidentally deriving a benefit from it. If it be a grist mill, or carding-machine, customers from the surrounding country may enjoy the use of it by having their grain made into flour, or their wool into rolls, and still it will not be in public use, within the meaning of the law.

Id., at 134-35. See also *TP Laboratories v. Professional Positioners, Inc.*, 220 USPQ 577, 581-2 (Fed. Cir. 1984). *Grain Processing v. American Maize*, 5 USPQ2d 1788, 1792 (Fed. Cir. 1988); and *Manville Sales Corp. v. Paramount Systems, Inc.*, 16 USPQ2d 1587, 1592 (Fed. Cir. 1990).

Throughout the three phases of the test and development period, in accordance with the principles laid down in *City of Elizabeth*, *TP Laboratories*, and *Manville*, cases *supra*, Prodigy sought to ascertain whether the reception system was suitable for its intended purpose. Since the primary requirement for the reception system was to enable very large user populations to manipulate the partitioned applications available on the Service, Prodigy sought from the first to the third phase of testing to determine, first, whether the reception would be capable of automatically staging and processing partitioned applications at all, and, second, whether that capability would

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be sustained as user levels were progressively increased toward the levels anticipated for the intended environment.

Further, once it was recognized as essential to expand user population in order to assess whether the reception system would perform in its intended environment, Prodigy further recognized that in view of the particular nature of the invention, and in accord with the observations expressly noted in *City of Elizabeth, supra*, regarding special need of certain inventions, that at least a portion of the experimental testing would have to be public. As pointed out earlier, the design of the reception system and other elements of the Service network required development of substantial amounts of new and original software. Moreover, not only were the individual elements of the network software new, but also, the Service called for the multiple software elements to be coordinated and harmonized for cooperative operation within the Service network. Further, by their nature, software and software combinations, at least while in their initial stages of development, are inherently unpredictable, it being difficult, if not impossible to foretell how such combination will operate and interact. Accordingly, it was deemed essential that some testing be undertaken in an environment approximating the environment the reception system was intended to operate in.

However, a meaningful approximation of the intended use environment for the reception system and Service was not readily attainable in a conventional laboratory or test facility. As noted, user populations in the millions were anticipated as necessary for the Service. Accordingly, laboratory testing of even a fraction of such numbers, if realizable at all, would have been physically and economically impossible to achieve at

the Prodigy facilities. As a result, the nature of the reception system and Service dictated that some testing be public. Accordingly, public testing of the reception system was undertaken in the third phase of the test and development period.

Further, in order to minimize the amount and duration of public testing, Prodigy sought to advance basic viability study of the reception system as far as possible in the first and second phase of test, and leave expanded population; i.e., stress, testing to the end. As noted above, the duration of the third phase of testing was the shortest of the test and development period, lasting only approximately 4 months.

Continuing, also in accord with the *City of Elizabeth*, *TP Laboratories*, and *Manville*, cases *supra*, Prodigy maintained control of the testing and created substantial records of the experience during the period. As pointed out above, Prodigy controlled testing with the identification numbers that were given to the users and required to be presented at log on in order to access the Service. As also previously noted, the reception system had no other significant use than to access the Service, no other partitioned application videotex service to Applicants' knowledge being available at the time in the Country. In addition, for all the users who were active, during the test period, Prodigy maintained records of the frequency and duration of use as well as the applications accessed. Still further, Prodigy kept careful record of any and all problems that were experienced, and revised the reception system software during the several phases of the test and development period accordingly.

Therefore, since Applicants' most recent filing has a date of less than a year from the end of the test and development period, Applicants would respectfully submit that the filing is consistent with the policy of prompt and wide spread disclosure of the invention underlying the 35 U.S.C. 102(b).

The third and fourth policy articulated in *King Instrument, supra*, as underlying Section 102(b) concern commercial exploitation of the invention, and can be considered together. Specifically, the third and fourth articulated policies, respectively, require the inventor be given a reasonable time to determine the value of a patent, but that the inventor not extend the period for exploiting the invention. As construed by the Federal Circuit in *Manville, supra* at 1591-92, and other cases, these sections have the effect of prohibiting commercial exploitation of the invention more than a year before the filing date of a patent application, the year period representing the articulated "reasonable time" beyond which exploitation of the invention would be considered impermissible extension. Or stated otherwise, where an experimental period extends for more than a year before an application filing date, there must be no impermissible commercialization of the invention during that portion of the experimental period that extends beyond the one year limit.

Applicants would respectfully submit that their invention was not commercially exploited until after the close of the test and development period; i.e., after August 5, 1988. As noted above in connection with the description of the test period, at no time did Prodigy charge for the copies of the reception system software that were distributed or for access to and use of the Service.

While as noted above, users, during the second and third phase of the test period, did pay for goods or services they purchased in the course of accessing certain of the transactional applications, the purchase prices for those items were paid to the sponsors of the applications that offered them. Accordingly, the payments were merely incidental to the testing of the reception system. As also noted above, during the test period, Prodigy received fees from sponsors of applications that were running on, or in the process of being created to run on the Service. However, again as noted above, those amounts were paid for producing the applications and for maintaining them on the Service. Accordingly, the fees received for creating and maintaining the applications on the Service were wholly incidental to the required testing of the reception system.

The Federal Circuit has established that presence of payment in connection with experimental testing does not, of itself establish a section 102(b) bar, but rather, is merely a factor to be considered. For example, in *Baker Oil Tools, Inc. v. Geo Vann, Inc.*, 4 USPQ2d 1210 (Fed. Cir. 1987), the Federal Circuit held that payments for oil well packing installed in the course of testing an inventive packing device did not, of itself, destroy the experimental nature of the device testing or establish a section 102(b) bar. In noting that payment in the course of testing is not determinative of a statutory bar, the court said:

The circumstances of payment, it is well established, are factors to be weighed, but payment does not *per se* make a section 102(b) bar.[citing *TP Laboratories, supra*]

Id., at 1214. See also *Ushakoff v. United States*, 140 USPQ 341, 343-44 (C.C.P.A. 1964); *A.B. Chance Co. v. RTE Corp.*, 7 USPQ2d

1881, 1884 (Fed. Cir. 1988); *Manville Sales Corp. v. Paramount Systems, Inc.*, 16 USPQ2d 1587, 1592 (Fed. Cir. 1990).

Moreover, the Federal Circuit has established that where the payment is merely incidental to the experimental testing, no bar will be found. For example, the Federal Circuit in the *TP Laboratories* case *supra*, held payment by dental patients for services rendered in fitting them with free, experimental tooth positioning appliance that were the subject of the invention, were incidental to the testing of the appliances, and neither destroyed the experimental nature of the test, nor establish a bar under 102(b).

The incidental nature of the payments in Applicants' case is apparent on review of the circumstances surrounding them. With respect to the payments by the users for items purchased, as noted these amounts were paid by the users to sponsors for sales that were facilitated by employing the reception system. As such the sales and resulting payments are not compensation to Prodigy for use of Applicants' invention. Rather, they represent benefit to the sponsor that arose from experimentation. And, this is expressly the incidental benefit the Supreme Court approved in *City of Elizabeth, supra*, when it noted an invention could be experimentally "used on the premises of another and the use inure to the benefit of the owner" of the premises (*infra* at p 33, last paragraph). Accordingly, payments by the reception system users to application sponsors were only incidental to the testing and could not change the experimental nature of Applicants' testing, or create a section 102(b) bar.

Further, with respect to the fees paid to Prodigy for creation of applications and their maintenance on the Service, here also the payments are inadequate to change the character of

the reception system testing. First, it is to be noted that the reception plays no part in either the creation of applications or their maintenance on the Service. Rather, the role of the reception system is to facilitate access by users to applications that already have been produced and which are already being maintained on the Service. Accordingly, there is no direct relation between use of the reception system and the purpose for which the sponsors made their payments; i.e., creation and maintenance of applications.

Moreover, even if some relation between the use of the reception system and creation and maintenance of application were to be contended, under the principles articulated by the Supreme Court in *Smith & Griggs Manufacturing Co. v. Sprague*, 123 U.S. 249 (1887), such payment would be considered incidental and unable to establishing a bar. In the *Smith and Griggs* case, the Supreme Court expressly acknowledged that payment received from use of an experimental invention in the course of business will not change the experimental use to commercial use unless the business is established and successful and use extends over a prolonged period time.

More specifically, in the *Smith and Griggs* case, after having acknowledged that if a product is produced or disposed of as an incident to the testing, the profit derived would not change the character of use from experimental to commercial, the Supreme Court held that because the inventive buck lever making machine in the case at bar had been used for over a two years, to make some 50,000 gross of buckle levers, all of which levers were sold by the invention owner, the invention had been used in an established and successful business for an extended period,

03158009-12693

during which the experimental use had been transformed to a commercial use, and a bar created.

By contrast, however, the Service at the time of the reception system testing and development could not have been considered an established and successful business. Rather, it was a fledgling and pioneer enterprise with an uncertain future that had yet to offer its Service to the general public. Accordingly, any payments made to it for work unrelated to reception testing could not be considered to establish a section 102(b) bar.

As also noted, in accordance with the custom in the software industry, during the test and development period, Prodigy had discussions with a number of retail chain stores regarding future distribution of the reception system software. More specifically, by the beginning of February 1988, Prodigy reached understandings, some oral and some in writing, with a total of approximately 6 such chain retailers. Further, by the end of April 1988, that number had grown to 8. In accordance with the understandings, Prodigy proposed to supply start-up kits for the Service that would include reception system software in approximately the early fall when the reception system and Service was expected to be available for public distribution. However, since the reception system and Service were still in test and development stage, during the time of those discussions, Prodigy expressly reserved the right to withhold the kits and reception system software until it felt they were suitable for their intended purposes; i.e., at least until completion of the test and development period.

As pointed out by the Federal Circuit, sales related arrangements in and of themselves do not establish a 102(b) bar

especially where it has not yet been determined if the invention will operate acceptably in its intended environment. Specifically, in *Shatterproof Glass Corp. v. Libby-Owens Ford Co.*, 225 USPQ 634, 640 (Fed. Cir. 1985) the court found that where the patent owner had solicited orders for specially coated glass while the development and design work for the inventive coating equipment and method were still in progress, a bar under section 102(b) would not arise. The court said:

The clear weight of authority is that a bare offer to sell does not ipso facto satisfy the "on sale" bar and the surrounding circumstances must be considered. ... In *In re Dybel*, ... 187 USPQ 593, 598 (C.C.P.A. 1975) where as here a sales contract had been entered into before the critical date, the court held that "for an invention of the type involved here to be 'on sale', it must be complete at least to such an extent that the purchaser knows how it will perform." As stated in *General Electric Co., v. United States*, ... 211 USPQ 867, 872, n.8 (Ct. Cl. 1981), the invention must have been "sufficiently tested to demonstrate that it will work for its intended purpose."

Id., at 639-40. See also, *A.B. Chance Co. v. RTE Corp.*, 7 USPQ2d 1881, 1884 (Fed. Cir. 1988); *Manville Sales Corp. v. Paramount Systems, Inc.*, 16 USPQ2d 1587, 1592 (Fed. Cir. 1990).

Accordingly, since at the time of discussion with the chain store retailers testing was still in progress to ascertain whether the reception system would perform as intended; i.e., perform all of the functions of the reception system and continue to operate satisfactorily as the user population, application inventory and PC/operating system combinations were expanded, such discussions could not have changed the

experimental character of the test and development period or established a bar under section 102(b).

Finally, as also noted, in the early part of April 1988, Prodigy demonstrated the Service with the use of the a prototype version of the reception system a computer faire in San Francisco, California. Those who witnessed the demonstration were told that the service was not yet publicly available, but was expected to be offered in the San Francisco area in the fall. Additionally, materials were distributed that described the type of applications that could be expected to be accessible on the Service when the Service did become publicly available. Also, stand-alone diskettes compatible with certain PC machines and operating systems were handed out that previewed portions of the Service without support of a host or the network.

However, Prodigy did not attempt to sell the service or the reception system software to any of the faire attendees. Rather, the attendees who witnessed the demonstration were advised to fill out a follow-up card if they were interested in being contacted when the Service became available in the fall. Prodigy's purpose at the faire was to assess the public reaction to the Service as it then existed and the plans for its future development. As noted, Prodigy originally believed that to be successful, the Service would have to include transactional applications such as at home banking, stock brokerage, travel reservations and grocery shopping. However, those applications were as yet not available on the Service due to production complexity and associated difficulties. Accordingly, Prodigy wanted to assess what the public reaction to the Service would be with such applications missing, and whether Prodigy's plan to provide such applications when the service was released would

00158000-11693

meet with public approval. In effect, Prodigy sought a mid-course check of its plans for service development. Additionally, Prodigy was interested in obtaining the reaction of a broad cross section of potential future users to the aesthetic aspects of the service; e.g., screen design, screen sequencing, category arrangement, etc.

Accordingly, the demonstration was not an attempt to exploit the reception system. Since the demonstration was focused on showing the content of the Service and plans for its future development, only several terminals were used for the demonstration, each requiring only a prototype form of the reception system software. Because the demonstration would only entail use of several terminals and a limited range of applications, the major transactional application, as noted, not yet being available, the reception was not called upon to exhibit certain features that were fundamental to its intended commercial form. Specifically, the reception was not to be used to demonstrate its ability to operate with large user populations, or to full range of applications intended for the commercial form of the Service, or the range of PC hardware and operating system combination it would be required to support when released. As noted these were the features the reception system was still being tested for compliance with and for which the reception system would be revised for at least twice more before its release to support a general offering of the Service. As a result, the computer faire demonstration could not be considered an attempt to exploit the reception system, since the reception system was not yet in a commercially acceptable form suitable for sale.

Still further, at the time of the demonstration, the Service as noted above, was still at best a fledgling enterprise with an uncertain future. Accordingly, even if use of the reception system to support the demonstration of the service could be considered to have some commercial aspect, the Supreme Court's holding in *Smith & Griggs, supra*, approving incidental commercial consequence of experimental activity except where the activity was in connection with an established and successful business for a prolonged period, would foreclose the arising of a section 102(b) bar in this case.

In summary, Applicants' would respectfully submit that use of the reception system during the test period was wholly experimental. Further, the wholly experimental nature of that use is evidenced by the fact that:

- Public testing of the reception system was made necessary by virtue of the software related nature of the invention, its pioneer character and the inability to reasonably ascertain whether the reception system would operate as intended without public testing;
- Throughout the test period, the Prodigy retained title to the reception system, the users receiving only a license to use the reception system;
- Throughout the test period, Prodigy maintained control of the testing by issuing identification numbers to the users that had to be supplied each time the reception system was used;

0345029-14693

- Throughout the test period, Prodigy maintained extensive and detailed records of all reception system use;
- Throughout the test period Prodigy continued to modify the reception system to render it capable of performing as intended;
- Throughout the test period, the reception system source code, structure and internal operation remained confidential;
- Prodigy reserved the public portion of the reception system testing to the last portion of the test to restrict public testing to approximately 4 months;
- Throughout the test period, no charges were imposed for the receipt of the reception system software or for use of the Service; and
- Throughout the test period all commercial activity was minimal and wholly incidental the experimental nature of the testing.

In view of the above, Applicants' would respectfully submit that all activities relating to their invention were consistent with the policies underlying 35 U.S.C. 102(b), and when viewed as a whole, those activities do not constitute a bar to the grant of a patent for their invention.

In submitting this report, Applicants, consistent with their duty under 37 C.F.R. 1.56 have disclosed to the Patent and Trademark Office information that they are aware of which may be relevant to the evaluation of their application. Applicants, however, make no representation that an independent search of the art would not produce more relevant information, or that

others reviewing the disclosure information might not have a different opinion as to its significance.

In view of cited patents, technical matter and use information and associated discussion, Applicants would respectfully submit that their invention as described and claimed is distinct and entitled to be patented. Accordingly, Applicants request favorable treatment of their application and allowance of their invention as claimed.

Respectfully submitted
Robert Filepp et al.

Date: October 28, 1994,

By:

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I hereby certify that this correspondence is being deposited with the United States Postal Service as first class mail in an envelope having the required postage and addressed to: Commissioner of Patents and Trademarks, Washington, D.C. 20231, on October 28, 1994.

Name of Registered Representative: Paul C. Scifo, Esq.

Signature:

Date: October 28, 1994